

Message Text

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PAGE 01 CARACA 14388 101847Z

12

ACTION ARA-10

INFO OCT-01 AF-08 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05
CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01
H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
PA-01 PRS-01 /120 W

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R 101619Z DEC 76

FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 5951
INFO AMCONSUL BELIZE
AMEMBASSY BOGOTA
AMEMBASSY DAKAR
AMEMBASSY GUATEMALA
AMEMBASSY LIMA
AMEMBASSY LISBON
AMEMBASSY MADRID
AMCONSUL MONTREAL
USCINCSO QUARRY HEIGHTS
CINCLANT NORFOLK VA

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E.O. 11652: N/A

TAGS: PFOR, PINS, ENRG, EARG, EFIN, VE, DR,

CA, SG, SP, GT, BGEN, PE, PO

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 14186 (NOTAL)

SUMMARY: GOV REITERATES OPEC PRICES WILL INCREASE DESPITE U.S.
APPEAL. TWO MAJOR PUBLIC WORKS BIDS WERE PRESENTED THIS WEEK. THE
LOW BIDDER FOR THE RAILROAD PROJECT WAS CANAVEN, FOR GURI
DAM, MORRISON-KNUDSEN. GUATEMALA INVITES PRESIDENT PEREZ
TO VISIT NEXT YEAR AND FOREIGN MINISTER IS OFF TO THE CANARIES, SPAIN
AND SENEGAL. PERUVIAN PRESIDENT MORALES BERMUDEZ
ARRIVES FOR THREE-DAY VISIT. AD-INFIGHTING AND POLLS.
TIRE STRIKE STILL UNSETTLED. \$100 MILLION FOREIGN CREDIT
EARMARKED FOR AGRICULTURE. SENIOR MILITARY PROMOTIONS
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PAGE 02 CARACA 14388 101847Z

APPROVED BY SENATE. END SUMMARY.

1. MINISTER SAYS OPEC WILL INCREASE PRICES DESPITE U.S. APPEAL. MINISTER OF MINES HERNANDEZ TOLD THE PRESS DECEMBER 8 THAT, WHILE VENEZUELA UNDERSTOOD THE U.S. POSITION ON OIL PRICES, AN ADJUSTMENT OF OPEC PRICES WAS STILL NECESSARY. HERNANDEZ SAID VENEZUELA HAD RECEIVED REQUESTS FROM U.S. OFFICIALS AND OTHER HEADS OF STATE TO CONSIDER EFFECT OF A PRICE INCREASE ON THEIR ECONOMIES AND THAT WHILE THESE WOULD BE CONSIDERED IN NEXT WEEK'S OPEC MEETING, THE ORGANIZATION WOULD BASE ITS FINAL DECISION ON ITS OWN INTERESTS. HE REJECTED THE ARGUMENT THAT OPEC'S PRICES WERE THE MAJOR CAUSE OF INFLATION IN THE INDUSTRIALIZED COUNTRIES, INDICATING THAT THE PROBLEM OF WORLD INFLATION COULD BEST BE DEALT WITH IN FORUMS SUCH AS CIEC, AND THE PROGRESS OF SUCH DISCUSSION COULD IN TURN INFLUENCE OPEC DECISIONS.

2. MAJOR BIDS THIS WEEK-RAILROAD AND GURI DAM. THE CANADIAN CONSORTIUM (CANAVEN) WAS LOW BIDDER DECEMBER 6 AT \$960 MILLION (SEE MONTREAL 1886 AND CARACAS 14233) FOR THE 700 KM CIUDAD BOLIVAR TO TUY MEDIO RAILROAD. THE MORRISON-KNUDSEN/PULLMAN/SOUTHERN RR CONSORTIUM CAME IN FOURTH AT \$1.67 BILLION, BUT CONDITIONED THEIR BIDS ON A TARGET-PRICE ESTIMATE FORMULA. PICKING UP REPORTS IN CANADIAN NEWSPAPERS, OPPOSITION CONGRESSMEN PLAN AN INVESTIGATION OF ALLEGED PAYOFFS TO LOCAL INTERMEDIARIES WHO ACTED ON BEHALF OF CANAVEN. THE BIDS PROBABLY WILL BE EVALUATED BY BECHTEL. U.S. CONSORTIUM STILL HOPES IT CAN NEGOTIATE SUCCESSFULLY WITH THE RAILROAD INSTITUTE. ON THE GURI DAM, MORRISON-KNUDSEN FARED BETTER, WITH THE LOW BID (JUST UNDER \$1 BILLION) DECEMBER 9 FOR THE FINAL EXPANSION OF THAT PROJECT WHICH WILL BE THE SECOND LARGEST HYDROELECTRIC COMPLEX IN THE WORLD.

3. GUATEMALA INVITES PRESIDENT PEREZ. GUATEMALAN FOREIGN MINISTER ADOLFO MOLINA ORANTES MET WITH PRESIDENT PEREZ IN CARACAS THIS WEEK AND INVITED PEREZ TO VISIT GUATEMALA IN EARLY 1977. IN A PUBLIC STATEMENT, MOLINA SAID THE TWO DISCUSSED ECONOMIC COOPERATION. WE ALSO PRESUME PEREZ BROUGHT UP THE BELIZE ISSUE, WHICH IS OF CONSIDERABLE INTEREST TO THE GOV.
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PAGE 03 CARACA 14388 101847Z

4. FOREIGN MINISTER ESCOBAR OFF TO CANARIES, SPAIN, AND SENEGAL. ON THE HEELS OF PRESIDENT PEREZ' TRIP TO NEW YORK AND EUROPE, FOREIGN MINISTER RAMON ESCOBAR SALOM LEFT DECEMBER 9 FOR A TRIP TO THE CANARY ISLANDS, SPAIN, AND SENEGAL. THE VISIT TO SENEGAL IS UNDOUBTEDLY A FOLLOWUP TO THE MEETING OF PEREZ AND PRESIDENT SENGHOR AT THE SOCIALIST INTERNATIONAL MEETING IN GENEVA TWO WEEKS

AGO. ESCOVAR'S VISIT TO DAKAR WILL ALMOST CERTAINLY INVOLVE DISCUSSIONS OF NORTH-SOUTH ISSUES AND WILL BE THE FIRST FORAY BY A RANKING VENEZUELAN DIPLOMAT TO FRANCOPHONE AFRICA.

5. PERUVIAN PRESIDENT IN TOWN. PERUVIAN PRESIDENT MORALES MERBUDEZ ARRIVES IN CARACAS TODAY FOR A THREE-DAY VISIT. A SERIES OF ECONOMIC AND CULTURAL AGREEMENTS ARE IN THE WORKS. THE PERUVIAN VISIT IS IN RETURN FOR PEREZ' BARNSTORMING TOUR OF PERU TWO YEARS AGO.

6. AD IN-FIGHTING AND POLLS. FOLLOWING AD CONGRESSIONAL LEADER JAIME LUSINCHI'S ANNOUNCEMENT LAST WEEK OF HIS INTENTION TO SEEK THE AD NOMINATION FOR PRESIDENT, THERE HAS BEEN A FLURRY OF ACTIVITY BY SUPPORTERS OF AD SECRETARY GENERAL LUIS PINERUA ORDAZ TO STRENGTHEN HIS CANDIDACY FOR THE NOMINATION. MEANWHILE, THE AD LEADERSHIP IS CONCERNED AT THE FINDINGS OF A RECENT PUBLIC OPINION POLL WHICH PITTED COPEI SENATOR LUIS HERRERA CAMPINS, THE LIKELY COPEI CANDIDATE, AGAINST AD AND SHOWED HERRERA WITH 38 PERCENT OF THE ELECTORATE AGAINST 17 PERCENT FOR AD. THE POLL ALSO SHOWED THAT THE POPULARITY OF THE PEREZ ADMINISTRATION HAS BEEN SLIPPING IN RECENT MONTHS.

7. TIRE STRIKE STILL UNSETTLED. RUBBER WORKERS AT 3 U.S. TIRE PLANTS--GOODYEAR, UNIROYAL, AND FIRESTONE--WENT ON STRIKE NOVEMBER 17 (CARACAS 13822) AFTER EXHAUSTING ALL LEGAL MACHINERY OF LABOR CODE. MAJOR POINT AT ISSUE IS A 40-HOUR MONDAY THROUGH FRIDAY WORK WEEK TO REPLACE THE PRESENT RIAMHOURN 6-DAY WEEK. PRESIDENT PEREZ ON DECEMBER 3 ISSUED A BACK-TO-WORK ORDER, AND SUBMITTED SIX DISPUTE TO ARBITRATION. ARBITRATION COMMITTEE IS EXPECTED TO BEGIN WORK WITHIN NEXT FEW DAYS AND HAS SIXTY DAYS TO REACH LIMITED OFFICIAL USE

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PAGE 04 CARACA 14388 101847Z

SETTLEMENT. HOWEVER, RUBBER WORKERS ON DECEMBER 7 VOTED TO CONTINUE STRIKE. CTV IS TRYING TO HOLD ANOTHER WORKER VOTE TO END WHAT IS NOW ILLEGAL WORK STOPPAGE. IF CTV IS NOT SUCCESSFUL, PEREZ MAY HAVE TO LEND HIS PERSONAL INFLUENCE TO SETTLE YET ANOTHER LABOR DISPUTE.

8. \$100 MILLION FOREIGN CREDIT EARMARKED FOR AGRICULTURE. THE PRESIDENT OF THE AGRICULTURAL DEVELOPMENT BANK ANNOUNCED DECEMBER 7 THAT THE BANK HAS ARRANGED A \$100 MILLION CREDIT LINE WITH THREE U.S. BANKS, CHASE MANHATTAN, BANK OF AMERICA AND REPUBLIC NATIONAL BANK. THE FUNDS WILL BE USED TO HELP FINANCE AN EXPANDED PROGRAM OF INVESTMENTS IN AGRICULTURE IN 1977, AND WILL COMPLEMENT THE APPROXIMATELY BS. 7 BILLION (1.65 BILLION) EXPECTED TO FLOW INTO AGRICULTURAL INVESTMENTS AS A

RESULT OF RECENT CHANGES IN THE BANKING LAWS.

9. SENIOR MILITARY PROMOTIONS APPROVED BY SENATE.

ON DECEMBER 6 THE SENATE APPROVED THE NOMINATIONS OF THIRTY MILITARY OFFICERS FOR PROMOTION. AT THE GENERAL-FLAG RANK LEVELS, BY SERVICE THE PROMOTIONS WERE: ARMY-ONE BRIGADIER GENERAL TO DIVISION GENERAL, FOUR COLONELS TO BRIGADIER GENERAL; NAVY-TWO CAPTAINS TO VICE ADMIRAL; AIR FORCE-TWO COLONELS TO BRIGADIER; NATIONAL GUARD-THREE COLONELS TO BRIGADIER.

10. OTHER REPORTING THIS WEEK INCLUDING A ROUND-UP PIECE ON PRESIDENT PEREZ' WORLD TRIP (CARACAS 14285), SECURITY ASSISTANCE LEGISLATION (CARACAS 14225), BARCELONA DETAINEES RELEASED (CARACAS 14313), USG LABOR PROGRAMS IN LATIN AMERICA (CARACAS 14197), AN ANALYSIS OF VENEZUELA'S FISCAL CORNUCOPIA (CARACAS 14188), DOMINICAN OIL IMPORTS FINANCING (CARACAS 14299), THE RAILROAD MAJOR PROJECT SUBMISSION (CARACAS 14233), AND ANDEAN COMMON MARKET

IMPLICATIONS FOR US BUSINESS IN VENEZUELA (CARACAS 14299).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, POLITICAL SUMMARIES, POLITICAL SITUATION, PUBLIC ADMINISTRATION
Control Number: n/a
Copy: SINGLE
Draft Date: 10 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ellisoob
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CARACA14388
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760457-0800
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761251/aaaabrpb.tel
Line Count: 191
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 CARACAS 14186
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 15 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 APR 2004 by BoyleJA>; APPROVED <04 AUG 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: THIS WEEK IN VENEZUELA
TAGS: PFOR, PINS, ENRG, EAGR, EFIN, VE, DR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006